

[Form of Series 1997-A Warrant]

No. R\_\_\_\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

SEWER REVENUE REFUNDING WARRANT  
Series 1997-A

Interest Rate

Maturity Date

CUSIP

\_\_\_\_\_

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to \_\_\_\_\_, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

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on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1997, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the interest and premium (if any) on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at the rate of interest borne by the principal hereof prior to maturity. The principal of and premium (if any) on this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$211,040,000 and designated Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants"). The Series 1997-A Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"),

between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-A Warrants, the County issued, under the Indenture, \$48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants"), and \$52,880,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants").

The Series 1997-A Warrants having stated maturities after February 1, 2007, are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, -2007, and on any date thereafter, such redemption (except in the case of Series 1997-A Warrants maturing on February 1, 2027) to be at and for the following respective redemption prices (expressed as a percentage of the principal amount redeemed) plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2007, through January 31, 2008	101.0%
February 1, 2008, through January 31, 2009	100.5
February 1, 2009, or thereafter	100

The redemption price for any Series 1997-A Warrant maturing on February 1, 2027, that is called for optional redemption, in whole or in part, shall be equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption.

The Series 1997-A Warrants having a stated maturity on February 1, 2022, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2020	\$ 11,310,000
February 1, 2021	13,775,000
February 1, 2022 (maturity)	16,555,000

The Series 1997-A Warrants having a stated maturity on February 1, 2027, are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount

thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2023	\$ 19,700,000
February 1, 2024	23,190,000
February 1, 2025	27,115,000
February 1, 2026	31,515,000
February 1, 2027 (maturity)	36,445,000

If less than all of the outstanding Series 1997-A Warrants of a particular maturity are to be called for redemption, the Series 1997-A Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1997-A Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1997-A Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 1997-A Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1997-A Warrants for which notice was properly given. Any Series 1997-A Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee

under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest or premium (if any) on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-A Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of

this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 1, 1997.

**JEFFERSON COUNTY, ALABAMA**

By \_\_\_\_\_  
President of the County Commission

ATTEST:

\_\_\_\_\_  
Minute Clerk of the  
County Commission

[ S E A L ]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within warrant and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: \_\_\_\_\_

This warrant is one of the Series 1997-A Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,  
as Trustee

By \_\_\_\_\_  
Its Authorized Officer

**Section 7.7 Execution and Delivery of Series 1997-A Warrants.** The Series 1997-A Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

**Section 7.8 Application of Proceeds from the Sale of Series 1997-A Warrants.** The entire proceeds derived from the sale of the Series 1997-A Warrants shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

- (a) payment into the Debt Service Fund of that portion of such proceeds (if any) that is allocable to accrued interest;
- (b) payment of the sum of \$533,029.80 to the Bond Insurer;
- (c) payment of the sum of \$130,321,616.44 to Bayerische Landesbank Girozentrale, acting through its New York Branch, to provide immediate reimbursement for moneys drawn under said bank's letter of credit to effect the purchase of the Series 1995-A Warrants;
- (d) payment of the sum of \$51,439,061.58 to AmSouth Bank of Alabama, in its capacity as escrow trustee with respect to the Series 1992 Warrants under an Escrow Trust Agreement dated as of February 1, 1997, between the County and said bank;
- (e) payment into the Reserve Fund of the sum of \$19,323,212.94; and
- (f) payment of the balance of such proceeds into the Issuance Cost Account.

## **ARTICLE VIII**

### **THE SERIES 1997-B WARRANTS**

**Section 8.1 Authorization and Description of the Series 1997-B Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding the Series 1993 Warrants, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Taxable Sewer Revenue Refunding Warrants, Series 1997-B, limited in aggregate principal amount to \$48,020,000. The Series 1997-B Warrants shall be dated February 1, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of \$5,000 or any greater integral multiple thereof. The Series 1997-B Warrants shall mature and become payable on the dates and in the amounts set forth below and shall bear interest from their respective dates payable on August 1, 1997, and on each February 1 and August 1 thereafter until maturity or earlier redemption at the per annum rates set forth below:



<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
February 1, 1998	\$ 4,200,000	5.80%
February 1, 1999	4,700,000	6.10
February 1, 2000	8,880,000	6.32
February 1, 2001	13,335,000	6.46
February 1, 2002	6,100,000	6.55
February 1, 2003	10,805,000	6.63

The principal of and the interest on any Series 1997-B Warrant shall bear interest after their respective due dates until paid at the rate of interest borne by the principal of such Series 1997-B Warrant prior to maturity. The Series 1997-B Warrants shall be initially issued and registered in the names of such Holders as shall be designated by the initial purchasers of the Series 1997-B Warrants.

The principal of and the interest on the Series 1997-B Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

**Section 8.2 Purchase of Series 1997-B Warrants for Retirement.** The County may at any time and from time to time purchase Series 1997-B Warrants for retirement using funds from any source. Any Series 1997-B Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-B Warrants shall be cancelled by the Trustee.

**Section 8.3 Form of Series 1997-B Warrants.** The Series 1997-B Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:



[Form of Series 1997-B Warrant]

No. R \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

TAXABLE SEWER REVENUE REFUNDING WARRANT  
Series 1997-B

Interest Rate

Maturity Date

CUSIP

\_\_\_\_\_

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to \_\_\_\_\_, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

D O L L A R S

on the date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on August 1, 1997, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption. The principal of and the interest on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at the rate of interest borne by the principal hereof prior to maturity. The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$48,020,000 and designated Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants"). The Series 1997-B Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"),

between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-B Warrants, the County issued, under the Indenture, \$211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants"), and \$52,880,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants").

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-B Warrants of the same maturity in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 1, 1997.

**JEFFERSON COUNTY, ALABAMA**

By \_\_\_\_\_  
President of the County Commission

ATTEST:

\_\_\_\_\_  
Minute Clerk of the  
County Commission

[ S E A L ]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within warrant and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

## AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: \_\_\_\_\_

This warrant is one of the Series 1997-B Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,  
as Trustee

By \_\_\_\_\_  
Its Authorized Officer

**Section 8.4 Execution and Delivery of Series 1997-B Warrants.** The Series 1997-B Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

**Section 8.5 Application of Proceeds from the Sale of Series 1997-B Warrants.** The entire proceeds derived from the sale of the Series 1997-B Warrants shall be paid to the Trustee and promptly thereafter applied by the Trustee for the following purposes and in the following order:

- (a) payment into the Debt Service Fund of that portion of such proceeds (if any) that is allocable to accrued interest;
- (b) payment of the sum of \$63,275.51 to the Bond Insurer;
- (c) payment of the sum of \$43,113,758.97 to AmSouth Bank of Alabama, in its capacity as escrow trustee with respect to the Series 1993 Warrants under an Escrow Trust Agreement dated as of February 1, 1997, between the County and said bank;
- (d) payment of the sum of \$4,396,800.06 into the Reserve Fund; and
- (e) payment of the balance of such proceeds into the Issuance Cost Account.

## ARTICLE IX

### THE SERIES 1997-C WARRANTS

**Section 9.1 Authorization and Description of the Series 1997-C Warrants and Places of Payment.** Pursuant to the applicable provisions of the Act, and for the purpose of refunding by exchange the SRF Warrant, there is hereby authorized to be issued under the Indenture an issue or series of Parity Securities designated Taxable Sewer Revenue Refunding Warrants, Series 1997-C, limited in aggregate principal amount to \$52,880,000. The Series 1997-C Warrants shall be dated February 15, 1997, shall be numbered from R1 upwards in the order issued and shall be issued initially in the respective principal amounts of \$5,000 or any greater integral multiple thereof. The Series 1997-C Warrants shall mature and become payable on February 15, 2015, and shall bear interest from their date payable on August 15, 1997, and on each February 15 and August 15 thereafter until maturity or earlier redemption at the rate of 4.05% per annum. The principal of and the interest on any Series 1997-C Warrant shall bear interest after their respective due dates until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime Rate; provided that if, as a result of a failure by the County to pay when due the principal of or interest on the Series 1997-C Warrants, a withdrawal of moneys from the Bond Proceeds Account of the Debt Service Fund created in that certain Trust Indenture dated as of August 15, 1992, between the Authority and Central Bank of the South, as trustee, is necessary in order to prevent a default in the payment of the bonds of the Authority issued pursuant to said Trust Indenture, then the amount so withdrawn from said account shall be immediately due and payable by the County and shall bear interest until paid at the Authority Trustee Prime Rate. The Series 1997-C Warrants shall be initially issued as a single warrant registered in the name of the Authority.

The principal of and the interest on the Series 1997-C Warrants shall be payable in accordance with the provisions of Section 3.2 hereof.

**Section 9.2 Optional Redemption of Series 1997-C Warrants.** The Series 1997-C Warrants will be subject to redemption and prepayment prior to their stated maturities, at the option of the County, as a whole or in part on August 15, 2002, and on any February 15 or August 15 thereafter, at and for a redemption price, for each Series 1997-C Warrant or portion thereof to be redeemed equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Series 1997-C Warrants may be redeemed only in installments of \$5,000 or any integral multiple thereof. In the event that less than all of the Series 1997-C Warrants are redeemed and prepaid pursuant to this Section 9.2, the Trustee shall select by lot the Series 1997-C Warrants (or portions of the principal thereof) to be redeemed and prepaid. The redemption of Series 1997-C Warrants pursuant to this section shall comply with the applicable provisions of Article VI and Section 9.5 hereof, with the provisions of Section 9.5 particularly applicable to the Series 1997-C Warrants to govern in the case of any conflict.

**Section 9.3 Scheduled Mandatory Redemption of Series 1997-C Warrants.** The Series 1997-C Warrants shall be subject to scheduled mandatory redemption on the following respective dates and in the following respective principal amounts:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 15, 1998	\$ 2,035,000
February 15, 1999	2,120,000
February 15, 2000	2,210,000
February 15, 2001	2,300,000
February 15, 2002	2,395,000
February 15, 2003	2,495,000
February 15, 2004	2,595,000
February 15, 2005	2,705,000
February 15, 2006	2,815,000
February 15, 2007	2,935,000
February 15, 2008	3,055,000
February 15, 2009	3,180,000
February 15, 2010	3,310,000
February 15, 2011	3,450,000
February 15, 2012	3,590,000
February 15, 2013	3,740,000
February 15, 2014	3,895,000

Series 1997-C Warrants in the aggregate principal amount of \$4,055,000 will remain to be paid at their scheduled maturity on February 15, 2015.

The Series 1997-C Warrants shall be redeemed pursuant to the provisions of this section at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, and such redemption shall be effected in accordance with the applicable provisions of Article VI and Section 9.5 hereof, with the provisions of Section 9.5 particularly applicable to the Series 1997-C Warrants to govern in the case of any conflict.

**Section 9.4 Purchase of Series 1997-C Warrants for Retirement.** The County may at any time and from time to time purchase Series 1997-C Warrants for retirement using funds from any source. Any Series 1997-C Warrants so purchased for retirement shall be delivered by the County to the Trustee, together with a written order of an authorized officer of the County for their cancellation, whereupon such purchased Series 1997-C Warrants shall be cancelled by the Trustee.



**Section 9.5 Special Provisions Respecting Partial Redemption of Series 1997-C Warrants.** The principal of any Series 1997-C Warrants shall be redeemed only in the amount of \$5,000 or any integral multiple thereof. If less than all the Series 1997-C Warrants are to be called for redemption on any single redemption date, the Trustee shall assign a number or other unique designation to each \$5,000 in principal amount of the Series 1997-C Warrants then outstanding and select by lot, from among all such numbers or other unique designations associated with the Series 1997-C Warrants then outstanding, numbers or other unique designations representing an aggregate principal amount equal to the principal amount of the Series 1997-C Warrants to be so called for redemption, whereupon there shall be called for redemption an amount of the unpaid principal of each Series 1997-C Warrant equal to the principal amount represented by the numbers or other unique designations related thereto that were so selected.

**Section 9.6 Form of Series 1997-C Warrants.** The Series 1997-C Warrants and the Trustee's authentication certificate applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

[Form of Series 1997-C Warrant]

No. R\_\_\_\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF ALABAMA

JEFFERSON COUNTY, ALABAMA

TAXABLE SEWER REVENUE REFUNDING WARRANT  
Series 1997-C

JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (herein called the "County"), hereby acknowledges that it is indebted to, and hereby directs the County Treasurer of the County to pay to \_\_\_\_\_, or registered assigns, solely out of the revenues hereinafter referred to, the principal sum of

D O L L A R S

on February 15, 2015 with interest thereon from the date hereof until the maturity hereof at the rate of 4.05% per annum (computed on the basis of a 360-day year of twelve consecutive 30-day

months), payable on August 15, 1997, and semiannually thereafter on each February 15 and August 15 until maturity or earlier redemption. The principal of and the interest on this warrant shall be payable in lawful money of the United States of America and shall bear interest after their respective due dates until paid at a per annum rate of interest equal to 2% above the Authority Trustee Prime Rate (as defined in the Indenture hereinafter referred to); provided that if, as a result of a failure by the County to pay when due the principal of or interest on the Series 1997-C Warrants hereinafter referred to, a withdrawal of moneys from the Bond Proceeds Account of the Debt Service Fund created in that certain Trust Indenture dated as of August 15, 1992, between the Alabama Water Pollution Control Authority (herein called the "Authority"), and Central Bank of the South, as trustee, is necessary in order to prevent a default in the payment of the bonds of the Authority issued pursuant to said Trust Indenture, then the amount so withdrawn from said account shall be immediately due and payable by the County and shall bear interest until paid at the Authority Trustee Prime Rate (as defined in the Indenture hereinafter referred to). The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of the Trustee hereinafter referred to. The interest on this warrant shall be remitted by said Trustee by check or draft mailed or otherwise delivered to the registered holder hereof at the address shown on the registry books of said Trustee.

This warrant is one of a duly authorized issue or series of warrants authorized to be issued in the aggregate principal amount of \$52,880,000 and designated Taxable Sewer Revenue Refunding Warrants, Series 1997-C (herein called the "Series 1997-C Warrants"). The Series 1997-C Warrants have been issued under and pursuant to the constitution and laws of the State of Alabama and a Trust Indenture dated as of February 1, 1997 (herein called the "Indenture"), between the County and AmSouth Bank of Alabama, as trustee (herein, together with its successors in trust, called the "Trustee"). Simultaneously with the issuance of the Series 1997-C Warrants, the County issued, under the Indenture, \$211,040,000 principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A (herein called the "Series 1997-A Warrants") and \$48,020,000 principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B (herein called the "Series 1997-B Warrants").

The Series 1997-C Warrants are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, on August 15, 2002, and on any February 15 or August 15 thereafter, such redemption to be at and for a redemption price, for each Series 1997-C Warrant or portion thereof to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The Series 1997-C Warrants are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Principal Amount</u>
February 15, 1998	\$2,035,000
February 15, 1999	2,120,000
February 15, 2000	2,210,000
February 15, 2001	2,300,000
February 15, 2002	2,395,000
February 15, 2003	2,495,000
February 15, 2004	2,595,000
February 15, 2005	2,705,000
February 15, 2006	2,815,000
February 15, 2007	2,935,000
February 15, 2008	3,055,000
February 15, 2009	3,180,000
February 15, 2010	3,310,000
February 15, 2011	3,450,000
February 15, 2012	3,590,000
February 15, 2013	3,740,000
February 15, 2014	3,895,000
February 15, 2015 (maturity)	4,055,000

If less than all of the outstanding Series 1997-C Warrants are to be called for redemption, the Series 1997-C Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 1997-C Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Warrants, which notice shall state that on the redemption date the Series 1997-C Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least forty-five (45) days prior to the date fixed for redemption to the holders of the Series 1997-C Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 1997-C Warrants for which notice was properly given. Any Series 1997-C Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

Under the Indenture, the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants are equally and ratably secured by a pledge of certain revenues from the sanitary sewer system of the County (herein, as it may at any time exist, called the "System") that remain after the payment of the expenses of operating and maintaining the System. Upon compliance with certain conditions specified in the Indenture, the County may

issue additional securities (without limitation as to principal amount) that are secured by the Indenture on a parity with the Series 1997-A Warrants, the Series 1997-B Warrants and the Series 1997-C Warrants with respect to the pledge of the aforesaid revenues from the System (the Series 1997-A Warrants, the Series 1997-B Warrants, the Series 1997-C Warrants and all such additional securities being herein together called the "Parity Securities").

The holders of the Parity Securities shall never have the right to demand payment of the Parity Securities out of any funds raised or to be raised by taxation or from any source whatsoever, except the payments and amounts described in this warrant and the Indenture. Except for the revenues from the System and the other moneys that may be held by the Trustee under the Indenture, no property of the County is encumbered by any lien or security interest for the benefit of the holder of this warrant. Neither the faith and credit, nor the taxing power, of the State of Alabama or the County, or any other public corporation, subdivision or agency of the State of Alabama or the County, is pledged to the payment of the principal of or the interest on this warrant.

The transfer of this warrant shall be registered upon the registration books kept at the principal corporate office of the Trustee, at the written request of the holder hereof or his attorney duly authorized in writing, upon surrender of this warrant at said office, together with a written instrument of transfer satisfactory to the Trustee duly executed by the holder hereof or his duly authorized attorney. Upon payment of any required tax or other governmental charge, this warrant may, upon the surrender hereof at the principal corporate trust office of the Trustee, be exchanged for an equal aggregate principal amount of Series 1997-C Warrants in any other authorized denominations.

The Trustee shall not be required to transfer or exchange this warrant during the period of fifteen days next preceding any interest payment date with respect hereto. In the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this warrant during the period of thirty days next preceding the date fixed for such redemption and prepayment.

Except as provided in the Indenture, the registered holder of this warrant shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the holders of a majority in aggregate principal amount of all Parity Securities outstanding under the Indenture.

Reference is hereby made to the Indenture, a copy of which is on file with the Trustee, for the provisions thereof concerning the nature and extent of the rights, duties and obligations of the County, the Trustee and the holders of the Parity Securities. The registered holder of this

warrant, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The County and the Trustee may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes, whether or not any principal of or interest on this warrant is overdue, and neither the County nor the Trustee shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required by the constitution and laws of the State of Alabama to exist, to have happened and to have been performed, precedent to and in the execution and delivery of the Indenture and the issuance of this warrant, do exist, have happened and have been performed in regular and due form as required by law.

No covenant or agreement contained in this warrant or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his individual capacity, and neither the members of the governing body of the County, nor any official executing this warrant, shall be liable personally on this warrant or be subject to any personal liability or accountability by reason of the issuance or sale of this warrant.

This warrant shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this warrant shall have been authenticated by the execution by the Trustee of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, the County has caused this warrant to be executed in its name and behalf with the facsimile signature of the President of its County Commission, has caused a facsimile of its official seal to be hereunto imprinted, has caused the signature of the aforesaid President to be attested by the Minute Clerk of its County Commission, who has caused a facsimile of her signature to be imprinted hereon, and has caused this warrant to be dated February 15, 1997.

**JEFFERSON COUNTY, ALABAMA**

By \_\_\_\_\_  
President of the County Commission

ATTEST:

\_\_\_\_\_  
Minute Clerk of the  
County Commission

[ S E A L ]

[Form for Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within warrant and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, with full power of substitution in the premises, to transfer the within warrant on the books kept for registration thereof by the within-mentioned Trustee.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears upon the face of the within warrant in every particular, without alteration or enlargement or any change whatsoever.

#### AUTHENTICATION CERTIFICATE

DATE OF AUTHENTICATION: \_\_\_\_\_

This warrant is one of the Series 1997-C Warrants described in the within-mentioned Trust Indenture.

AMSOUTH BANK OF ALABAMA,  
as Trustee

By \_\_\_\_\_  
Its Authorized Officer

Section 9.7 **Execution and Delivery of Series 1997-C Warrants.** The Series 1997-C Warrants shall be forthwith executed and delivered to the Trustee and shall be authenticated and



delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the County by the President of the Governing Body requesting such authentication and delivery and designating the Person or Persons to receive the same or any part thereof.

## **ARTICLE X**

### **ADDITIONAL PARITY SECURITIES**

**Section 10.1 Additional Parity Securities—In General.** If no Event of Default shall have occurred and be continuing, the County may at any time and from time to time issue Additional Parity Securities, within the limitations of and upon compliance with the provisions of this Article X, for any one or more of the following purposes:

- (a) for the purpose of constructing or otherwise acquiring any System Improvements,
- (b) for the purpose of refunding any obligations issued or incurred by the County for the purpose of constructing or otherwise acquiring any System Improvements,
- (c) for the purpose of refunding or otherwise retiring all or any portion of any one or more series of Parity Securities then outstanding under the Indenture,
- (d) for any other purpose at the time permitted by applicable law, or
- (e) for any combination of the foregoing purposes.

The Additional Parity Securities shall be in such denomination or denominations, shall bear interest at such rate or rates, shall bear such dates, shall mature in such amounts and on such dates, shall be in such form, and may be subject to redemption prior to maturity under such conditions, all as shall be provided in the Supplemental Indenture under which they are issued. Any redemption of Additional Parity Securities prior to maturity shall be effected in the manner set forth in and shall be subject to the provisions of Article VI hereof. All Additional Parity Securities so issued shall contain an appropriate series designation.

**Section 10.2 Conditions Precedent to Issuance of Additional Parity Securities.** Prior to the issuance of any Additional Parity Securities, the County shall deliver to the Trustee those of the Additional Parity Securities proposed to be issued, duly executed and sealed, accompanied by the following:



(a) Supplemental Indenture. A Supplemental Indenture between the County and the Paying Agent for the Additional Parity Securities proposed to be issued, duly executed, sealed and acknowledged on behalf of the County and said Paying Agent and containing the following: (i) a description of such Additional Parity Securities, including the aggregate principal amount, the numbers and series designation, the denomination or denominations, the date, the interest rate or rates and the maturity or maturities thereof, the provisions for redemption thereof prior to maturity and the forms of such Additional Parity Securities and various certificates applicable thereto; (ii) a confirmation of the lien of the Indenture on all revenues, properties and rights then constituting the Trust Estate; (iii) provisions for the establishment of a separate account within the Debt Service Fund to provide for the payment of such Additional Parity Securities; (iv) if the proposed Additional Parity Securities are to be secured by the Reserve Fund, provisions requiring any increase in the Reserve Fund Requirement that may result from the issuance of such Additional Parity Securities to be fully funded out of proceeds derived by the County from the sale of such Additional Parity Securities or, alternatively, provisions requiring any requisite increase in the Reserve Fund Requirement to be funded by such additional periodic payments from the System Revenues into the Reserve Fund as, when added to the moneys held in the Reserve Fund when such Additional Parity Securities are issued and any payment to be made into the Reserve Fund simultaneously with the issuance of such Additional Parity Securities, will cause the amount held in the Reserve Fund to equal the Reserve Fund Requirement within sixty (60) months after the issuance of such Additional Parity Securities; and (v) any other matters deemed appropriate by the County and not inconsistent with the terms of this Indenture;

(b) Proceedings. A certified copy of the proceedings taken by the Governing Body authorizing the issuance of such Additional Parity Securities and the execution and delivery of the Supplemental Indenture providing therefor, which said proceedings shall include a Resolution requesting the applicable Paying Agent to authenticate and deliver such Additional Parity Securities and reciting the following: (i) that no Event of Default has occurred and is continuing and no event which, with the giving of notice or the passage of time or both, would constitute an Event of Default has occurred and is continuing; (ii) the Person or Persons to whom such Additional Parity Securities have been sold and awarded and shall be delivered; (iii) the purchase price of such Additional Parity Securities; (iv) a list of all Additional Parity Securities previously issued by the County hereunder and at the time outstanding and of the Supplemental Indentures under which they were issued; (v) if any of such Additional Parity Securities are to be issued for the purpose of refunding or otherwise retiring any Parity Securities then outstanding, a brief description of such Parity Securities to be so refunded or otherwise retired; and (vi) whether or not such Additional Parity Securities are to be secured by the Reserve Fund;

(c) Revenue Certificate or Revenue Forecast. Either a Revenue Certificate or a Revenue Forecast, as such terms are defined and used in the succeeding paragraphs of this Section 10.2 (provided, however, that the delivery of a Revenue Certificate or a Revenue Forecast shall not be a condition precedent to the issuance of the Additional 1997 Parity Securities);

(d) Certificate Required for Variable Rate Securities. In the case of any Additional Parity Securities that are being issued as Variable Rate Securities, a certificate signed by an Independent Accountant, the President of the Governing Body or the County's Director of Finance certifying that, immediately following the issuance of such Additional Parity Securities, the aggregate principal amount of all outstanding Variable Rate Securities would not exceed 50% of the aggregate principal amount of all outstanding Parity Securities;

(e) Opinion of Bond Counsel Respecting Previously Issued Parity Securities. An opinion of Bond Counsel that (i) the issuance of the Additional Parity Securities will not adversely affect the exemption from federal income taxation of interest payable on the Parity Securities theretofore issued, and (ii) the Additional Parity Securities, when issued, will be entitled to the benefit and security of this Indenture in like manner as Parity Securities theretofore issued under and pursuant to this Indenture;

(f) Opinion of Independent Counsel. An opinion, acceptable to the Trustee and dated as of the date of the issuance of such Additional Parity Securities, of Independent Counsel acceptable to the Trustee [which Independent Counsel may, but need not, be the Bond Counsel rendering the opinion required by subsection (g) of this section] approving the forms of all documents required by the preceding portions of this section to be delivered to the Trustee and stating that they comply with the applicable requirements of this Article X; and

(g) Opinion of Bond Counsel as to Validity of Additional Parity Securities. An opinion, dated as of the date of the issuance of such Additional Parity Securities, of Bond Counsel approving the validity of such Additional Parity Securities.

As used in this Section 10.2, the term "Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Governing Body or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

(i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate

is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and

(ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than seventy-five percent (75%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; or

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Governing Body or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate, may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

As used in this Section 10.2, the term "Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

(i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and

(ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than seventy-five percent (75%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than one hundred and five percent (105%) of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an Independent Investment Advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

Upon receipt of the documents required by the provisions of this section to be furnished to it, the Trustee shall, unless it has cause to believe any of the statements set out in said documents to be incorrect, thereupon acknowledge its receipt of the Supplemental Indenture so presented and, if required by pertinent law, cause the same to be filed for record at the expense of the County in the public office or offices in the State of Alabama in which such document is then required by law to be filed in order to constitute constructive notice thereof. The Trustee shall then authenticate (or direct the applicable Paying Agent to authenticate) the Additional Parity Securities with respect to which the said documents shall have been provided and shall, upon receipt of evidence satisfactory to it that the County has received the purchase price or other consideration therefor, deliver (or direct the applicable Paying Agent to deliver) such

Additional Parity Securities to the Person or Persons to whom the Resolution provided for in subsection (b) of this section directed that they be delivered.

**Section 10.3 Subordinate Indebtedness Permitted.** Nothing contained herein shall be construed as a restriction upon the right of the County to issue subordinate lien bonds or warrants or other obligations secured by a pledge of the Pledged Revenues that is subject and subordinate in all respects to the pledge of revenues herein made or provided for the payment of the Parity Securities.

**Section 10.4 Related Obligations.** In connection with the initial issuance of any series of Parity Securities, the County may obtain or cause to be obtained letters of credit, lines of credit, bond insurance or similar obligations, agreements or instruments (herein collectively called "Credit Facilities") securing or providing for the payment of all or a portion of the principal or redemption price of or interest on that series of Parity Securities or providing for the purchase of that series of Parity Securities or a portion thereof by the issuer or obligor of any such Credit Facility. In connection therewith, the County may enter into agreements with the issuer of or obligor on any such Credit Facility providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Credit Facility, the terms and conditions of such Credit Facility and the series of Parity Securities affected thereby, and the security, if any, to be provided for the issuance of such Credit Facility and the payment of such fees and expenses or the obligations of the County with respect thereto. The County may also, to the extent permitted by then applicable law, enter into an interest rate swap agreement, an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement or any similar agreement with respect to any series of Parity Securities or portion thereof.

In addition to any other security permitted by applicable law, the County may, if it elects to do so, secure all or any portion of its contractual obligations with respect to any Credit Facility or any Qualified Swap (any such contractual obligations being herein called "Related Obligations") by a pledge of the Pledged Revenues which may be on a parity with the pledge made in the Indenture (except to the extent that any such pledge secures the payment of any amount payable by the County as a consequence of an early termination of a Qualified Swap) so long as no default exists on the part of the Person providing such Credit Facility or on the part of the related Qualified Swap Provider, as the case may be. Notwithstanding any pledge that may be made pursuant to the preceding sentence, Related Obligations shall not constitute or be treated as Parity Securities for any purpose in applying the provisions of this Indenture (including, without limitation, the conditions precedent to the issuance of Additional Parity Securities contained in Section 10.2 and the covenants contained in Article XII).



## ARTICLE XI

### APPLICATION OF SYSTEM REVENUES AND ESTABLISHMENT OF SPECIAL FUNDS

Section 11.1 **Revenue Account.** There is hereby established a special account in the name of the County, the full name of which shall be the "Jefferson County Sewer System Revenue Account". All System Revenues and all amounts received by the County pursuant to Qualified Swaps shall be deposited in the Revenue Account promptly upon receipt by the County, provided that amounts received by the County as (a) grants or borrowed funds for improvements or extensions to the System, (b) deposits or payments by contractors to offset the cost of extensions or new connections, and (c) customer deposits to ensure payment for utility services may be held by the County in a separate account or accounts pending use thereof for the said purposes.

On or before the last Business Day of each calendar month, the County will apply the moneys in the Revenue Account for the payment of all Operating Expenses that are then due and that were incurred during the then-current or in any then-preceding calendar month. On or before the various dates specified in Sections 11.2 through 11.5, the County will apply the moneys in the Revenue Account that remain after payment of Operating Expenses for payment into the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund and the Depreciation Fund, in the order named, of such amounts as are required hereby to be paid therein on or before the pertinent dates specified in the aforesaid sections, to the respective extents provided in such sections and to the extent that moneys on deposit in the Revenue Account are sufficient therefor.

Revenues derived from the Sewer Tax that are deposited into the Revenue Account shall be applied for the payment of Operating Expenses in preference to any other moneys at the time held in the Revenue Account, it being the County's intention and expectation that such tax revenues be applied for no purpose other than the payment of Operating Expenses. No payments or withdrawals shall at any time be made from the Revenue Account other than the transfers, payments or withdrawals provided for in this article.

The Governing Body may at any time and from time to time designate any banking institution or institutions as depository or depositories for the Revenue Account, provided that each such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama. Each such depository shall be fully protected in paying out moneys from the Revenue Account on checks, vouchers or drafts signed by any duly authorized officer, employee or agent of the County, and no such depository shall be liable for the misapplication by the County of any moneys so withdrawn if such moneys shall be so withdrawn without knowledge or reason on the part of such depository to believe that such

disbursement constitutes a misapplication of funds. So long as no Event of Default shall have occurred and be continuing, the County may combine moneys held in the Revenue Account with other moneys of the County for purposes of custody, safekeeping and investments.

**Section 11.2 Debt Service Fund.** There is hereby established a special trust fund, the full name of which shall be the "Jefferson County Sewer System Debt Service Fund." The Trustee shall be the depository, custodian and disbursing agent for the Debt Service Fund. Out of the moneys on deposit in the Debt Service Fund, the Trustee shall (i) pay the principal of and the interest on those of the Parity Securities for which it serves as Paying Agent, as said principal and interest respectively become due, (ii) make provision for the payment of the principal of and the interest on all other Parity Securities by transferring sufficient moneys to the applicable Paying Agent or Agents on or before the respective dates on which such principal and interest become due and payable, and (iii) pay or make provision for the payment of any Related Obligations (as defined in Section 10.4) that have been secured by a pledge of the Pledged Revenues that is on a parity with the pledge made in the Indenture (any such Related Obligation being herein called a "Secured Related Obligation").

The following amounts shall be transferred and paid into the Debt Service Fund at the following times:

(a) Amounts Referable to Series 1997 Warrants. In order to provide funds for the payment of the principal of and interest on the Series 1997 Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account [except as otherwise provided in clause (1)], the following amounts at the following times:

(1) simultaneously with the issuance and sale of the Series 1997 Warrants and out of the proceeds derived therefrom, that portion of such proceeds allocable to accrued interest;

(2) on or before the third day preceding August 1, 1997, an amount equal to the difference between (i) the amount of interest on the Series 1997 Warrants that will become due on August 1, 1997, and (ii) the amount deposited in the Debt Service Fund pursuant to the foregoing clause (1);

(3) on or before the third day preceding February 1, 1998, and on or before the third day preceding each February 1 and August 1 thereafter until and including the third day preceding February 1, 2027, an amount equal to the interest becoming due with respect to the then outstanding Series 1997 Warrants on the then next succeeding Interest Payment Date; and

(4) on or before the third day preceding August 1, 1997, and on or before the third day preceding each February 1 and August 1 thereafter until and including the third day preceding February 1, 2027, an amount equal to one-half



(1/2) of the principal amount of Series 1997 Warrants maturing or required to be redeemed on the then next succeeding February 1.

(b) Amounts Referable to Series 1997-C Warrants. In order to provide funds for the payment of the principal of and interest on the Series 1997-C Warrants, there shall be transferred or paid into the Debt Service Fund, out of moneys held in the Revenue Account, the following amounts at the following times:

(1) on or before August 15, 1997, and on or before each February 15 and each August 15 thereafter until and including February 15, 2015, an amount equal to the interest becoming due with respect to the then outstanding Series 1997-C Warrants on each such date; and

(2) on or before February 15, 1998, and on or before each February 15 thereafter until and including February 15, 2015, an amount equal to the principal amount of Series 1997-C Warrants maturing or required to be redeemed on each such date.

(c) Amounts Referable to Additional Parity Securities. In order to provide for the payment of the principal of and interest on any Additional Parity Securities, there shall be transferred or paid into the Debt Service Fund the following amounts:

(1) simultaneously with the issuance and sale of such Additional Parity Securities and out of the proceeds derived therefrom, there shall be transferred or paid into the Debt Service Fund that portion of such proceeds allocable to premium (if any) and accrued interest;

(2) there shall be transferred or paid into the Debt Service Fund any portion of the principal proceeds derived from the sale of such Additional Parity Securities that is to be used to pay interest thereon (i.e., capitalized interest), with such capitalized interest to be applied for payment of interest on such Additional Parity Securities according to such schedule and through such arrangements as may be provided in the Supplemental Indenture under which such Additional Parity Securities are issued; and

(3) there shall be transferred or paid into the Debt Service Fund, out of moneys on deposit in the Revenue Account, such moneys as, when added to any other funds provided for the payment of such Additional Parity Securities, shall be necessary to pay the principal and interest maturing with respect to such Additional Parity Securities, as well as the redemption price of such Additional Parity Securities that are required to be redeemed prior to the maturity thereof, such moneys to be paid into the Debt Service Fund in such amounts and on such dates as shall be provided in the Supplemental Indenture under which such Additional Parity Securities are issued.

(d) Amounts Referable to Secured Related Obligations. In order to provide for the payment of Secured Related Obligations, there shall be transferred or paid into the Debt Service Fund, out of moneys on deposit in the Revenue Account, such moneys as shall be necessary to pay such obligations on or before the respective dates on which such obligations become due and payable.

(e) General. There shall be transferred or paid into the Debt Service Fund any other moneys that are expressly required to be transferred or paid therein by the provisions of the Indenture.

There may be credited against any transfer or payment required to be made into either account of the Debt Service Fund pursuant to the preceding provisions of this section any amount then held in such account, but only to the extent that such amount does not itself consist of prior transfers or payments made pursuant to any of the preceding provisions of this section and has not theretofore been credited against any transfer or payment previously required by any of such provisions; provided, however, that moneys in the Debt Service Fund shall not be so credited against any required transfer or payment into such fund if such moneys (i) are held therein for payment of matured but unpaid Parity Securities, Parity Securities called for redemption but not yet redeemed, and matured but unpaid interest on the Parity Securities, (ii) are held therein pursuant to instructions from the County for the future redemption or purchase of Parity Securities, (iii) are held therein for the payment of unmatured Parity Securities not called for redemption if such Parity Securities are considered fully paid pursuant to the provisions of Section 16.1 hereof by reason of the fact that such moneys are so held in the Debt Service Fund, or (iv) are held therein subject to the provisions of a Supplemental Indenture providing for the issuance of Additional Parity Securities which requires such moneys to be credited in a manner inconsistent with the provisions hereof, in which case such moneys shall be credited in the manner provided by such Supplemental Indenture.

Subject to the provisions of Section 11.8 hereof, the Trustee shall hold and apply moneys in the Debt Service Fund for the payment of principal of and interest on the Parity Securities on or after the respective due dates of such principal and interest, for the redemption of Parity Securities prior to their maturity, and for the purchase of Parity Securities for retirement at a purchase price not greater than the original principal amount thereof plus accrued interest thereon. The Trustee shall pay or provide for the payment of the principal and interest maturing with respect to the Parity Securities, as well as the redemption price of any Parity Securities that are required by the provisions of the Indenture to be redeemed prior to the stated maturity thereof, out of the moneys held in the Debt Service Fund, as and when such principal, interest or redemption price shall be due and payable.

The County and the Trustee covenant that (i) all funds transferred to or deposited in the Debt Service Fund shall be applied to the payment of the principal and premium (if any) and interest on the Parity Securities within twelve months from the date of such transfer or deposit and (ii) all income and profits received from the investment of moneys in the Debt Service Fund

shall be applied to the payment of the principal and premium (if any) and interest on the Parity Securities within twelve months from the date of receipt of such income or profits.

**Section 11.3 Reserve Fund.** There is hereby established a special trust fund, the full name of which shall be the "Jefferson County Sewer System Debt Service Reserve Fund". The Trustee shall be the depository, custodian and disbursing agent for the Reserve Fund. Simultaneously with the delivery hereof, the County shall cause to be deposited into the Reserve Fund proceeds of the Series 1997-A Warrants in the amount of \$19,323,212.94 and proceeds of the Series 1997-B Warrants in the amount of \$4,396,800.06.

If on the first Business Day of any calendar month the total amount held in the Reserve Fund is less than the Reserve Fund Requirement, then, on or before the fifteenth day of such calendar month, the County shall pay into the Reserve Fund (from any moneys remaining in the Revenue Account after there shall have been made therefrom all payments required to be made during such month into the Debt Service Fund) an amount obtained by dividing (i) the amount by which the Reserve Fund Requirement exceeds the amount then held in the Reserve Fund by (ii) the number of months between the first day of such calendar month and the last day of the fifth calendar month next succeeding that during which the amount held in the Reserve Fund is first determined to be below the Reserve Fund Requirement, all to the end that the monthly amounts to be paid into the Reserve Fund pursuant to this paragraph will cause any deficiency in the Reserve Fund to be restored within six months after such deficiency first occurred.

In the event that the County hereafter issues any Additional Parity Securities that are secured by the Reserve Fund, the County will cause to be added to the moneys then on deposit in the Reserve Fund an amount equal to the difference obtained by subtracting (a) the Reserve Fund Requirement immediately prior to the issuance of those of the Additional Parity Securities that have been most recently issued from (b) the Reserve Fund Requirement immediately following the issuance of those of the Additional Parity Securities that have been most recently issued. Any such addition of moneys to the Reserve Fund that is required to be made in connection with the issuance of any such Additional Parity Securities may be effected through any of the following methods:

(i) a single deposit to the Reserve Fund out of the proceeds of the Additional Parity Securities with respect to which such deposit is required to be made, such deposit to be made at the time of issuance of such Additional Parity Securities;

(ii) a series of ten (10) equal semiannual deposits to the Reserve Fund out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Section 11.2 hereof, such deposits to be made on or before the February 15 or August 15, as the case may be, next succeeding the month during which the Additional Parity Securities with respect to which such deposits are required to be made were issued and on or before each February 15

and each August 15 thereafter until the ten (10) required deposits have been made; or

(iii) any series of deposits to the Reserve Fund out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Section 11.2 hereof that will result in the moneys required to be added to the Reserve Fund being accumulated at a faster rate than the series of deposits described in the foregoing clause (ii).

If, upon the issuance of any Additional Parity Securities, any required addition of moneys to the Reserve Fund is effected through a method described in the preceding clause (ii) or (iii), then the Reserve Fund shall be divided into two or more accounts and all moneys and securities held in the Reserve Fund upon the issuance of such Additional Parity Securities shall be allocated first on a proportionate basis to the account or accounts that secure those of the Parity Securities that were outstanding prior to the issuance of such Additional Parity Securities, until each such account is funded in an amount equal to the Reserve Fund Requirement for those of the Parity Securities to which such account is referable, and the balance of such moneys and securities shall be allocated to the account that secures such Additional Parity Securities.

The moneys on deposit in the Reserve Fund shall be used to pay interest coming due on the Parity Securities secured thereby on any Interest Payment Date, or to pay the principal of such Parity Securities as it comes due, whether at maturity or by mandatory redemption, but only in the event that, at the time of any Interest Payment Date, the moneys then held in the Debt Service Fund shall be insufficient for the said payments; provided, however, that, if any of the Parity Securities are issued in a form which permits the holders thereof to require the County or an agent thereof to purchase such Parity Securities prior to maturity, moneys in the Reserve Fund shall not be used to effect any such mandatory purchase or to pay the principal of any such Parity Securities which become due solely because of an inability to remarket them following any such mandatory purchase. In no event shall any moneys withdrawn from the Reserve Fund be used to provide for the payment of any principal of or interest on the Series 1997-C Warrants.

If on any date on which a valuation of the investments held in the Reserve Fund is made the amount on deposit in the Reserve Fund exceeds the Reserve Fund Requirement, the Trustee shall withdraw the amount of such excess and deposit the same in the Debt Service Fund. The Governing Body hereby finds and determines that the Reserve Fund will constitute a reasonable reserve for payment of principal of and interest on the Parity Securities and that the period of time herein provided for the restoration of any deficiency in the Reserve Fund will constitute a reasonable period for the restoration of any such deficiency.

The Reserve Fund Requirement may be satisfied, in whole or in part, with an insurance policy, surety bond or letter of credit that satisfies the various requirements specified in Section 11.11 of this Indenture.